

THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

061

COMMERCE

(For Both School and Private Candidates)

Time: 2:30 Hours

ANSWERS

Monday, 12 October 2009 p.m.

Instructions

1. This paper consists of sections A, B and C.
2. Answer **all** questions in sections A and B and **two (2)** questions from section C.
3. Calculators are **not** allowed in the examination room.
4. Cellular phones are **not** allowed in the examination room.
5. Write your **Examination Number** on every page of your answer booklet(s).

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1. For each of the items (i) - (x), choose the correct answer from among the given alternatives and write its letter beside the item number.

(i) The process of making goods for one's own use is termed:

- A. direct service
- B. self employed
- C. direct production
- D. self-service
- E. capital goods

C

Reason: Direct production refers to producing goods for personal use, such as a farmer growing crops for their family, rather than for sale.

(ii) Which of the following is the convenient route in the channel of distribution?

- A. Manufacturer → wholesaler → consumer
- B. Wholesaler → manufacturer → retail outlet
- C. Manufacturer → consumer → retailer
- D. Consumer → retail outlet → wholesaler
- E. Manufacturer → manufacturer outlet → consumer

E

Reason: The route "Manufacturer → manufacturer outlet → consumer" is convenient as it eliminates intermediaries, reducing costs and delays, especially for specialized goods sold directly to consumers.

(iii) A limited partnership is a partnership:

- A. which enjoys unlimited liability
- B. in which all the partners enjoy limited liability
- C. in which some partners enjoy limited liability
- D. in which all the partners are general partners
- E. in which the liabilities towards the firms debts is limited

C

Reason: A limited partnership has at least one general partner with unlimited liability and one or more limited partners whose liability is restricted to their investment, as per partnership law.

(iv) The term "legal tender" means:

- A. the form of money that a creditor must accept from a debtor in settlement of a debt
- B. a right to supply goods to an institution for a period of time
- C. a lawyer can pay money legally to his client
- D. the form of money that a creditor has right to refuse in settlement of a debt
- E. the right to make settlement on my unpaid debts

A

Reason: Legal tender is currency that must be accepted by a creditor to settle a debt, as recognized by law (e.g., Tanzanian Shillings in Tanzania).

(v) The main purpose of commerce is to:

- A. make profit
- B. please customers
- C. help manufacturers
- D. bridge the gap between producers and consumers
- E. sell goods to ultimate consumers

D

Reason: Commerce facilitates the exchange and distribution of goods and services, bridging the gap between producers and consumers through activities like trade, transport, and storage.

(vi) Bank rate is the rate of interest charged by:

- A. a commercial bank for short-term loans
- B. a central bank on first-class bills discounted by it
- C. a lender to a borrower
- D. non-banking financial institutions to borrowers
- E. saving banks to borrowers

B

Reason: The bank rate is the interest rate at which a central bank (e.g., Bank of Tanzania) discounts first-class bills or lends to commercial banks, influencing the overall economy.

(vii) Which of the following functions is usually not performed by a wholesaler?

- A. Storage
- B. Transport
- C. Packing and branding goods
- D. Extending loans to customers
- E. Selling goods to consumers

E

Reason: Wholesalers typically store, transport, pack, brand, and finance retailers, but they do not usually sell directly to consumers—that is the role of retailers.

(viii) Which one among the following is true regarding regressive tax system?

- A. A higher tax is charged as the income of tax payer increases.
- B. The same amount of tax is charged to all payers irrespective of their incomes.
- C. A tax that takes a higher proportion from lower income earners than from the higher income earners.
- D. A tax that is imposed at every stage of production.
- E. A tax charged by the public to grant permission to a person to perform a service by himself.

C

Reason: A regressive tax system takes a larger proportion of income from lower earners than higher earners (e.g., a flat sales tax impacts the poor more as they spend a higher percentage of their income).

(ix) Which one among the following covers insurance of property?

- A. Fire insurance
- B. Goods or cash in transit insurance
- C. Marine insurance
- D. General insurance
- E. Insurance agents

A

Reason: Fire insurance specifically covers property damage due to fire, such as buildings or inventory, while the other options cover broader or different risks (e.g., marine for ships, transit for goods movement).

(x) Which one among the following does not relate to import trade?

- A. Excise duties
- B. Custom duties
- C. Bill of lading
- D. Certificate of origin
- E. Certificate of indemnity

A

Reason: Excise duties are taxes on goods produced domestically, not imports. Customs duties, bills of lading, certificates of origin, and indemnity certificates are all directly associated with import trade.

2. Match the items in List A with the responses in List B by writing the letter of the correct response beside the item number.

LIST A	LIST B
(i) Sells products from different manufacturers	K. Single shops
(ii) A grant of property for a term of months/years	Q. Lease
(iii) Is where short term loans can be obtained	D. Money market
(iv) Occurs if a country trades with only one country	E. Bilateral trade
(v) Do not carry any interest	R. Current accounts
(vi) A valuable document accepted by the bank as a protection against loan granted.	G. Collateral security
(vii) Provides capital and receives profit but takes no part in management	B. Sleeping partner
(viii) Where liquid assets of a firm are insufficient to meet claims of creditors	S. Insolvency
(ix) A document that defines the relationship between the company and the outsiders	A. Memorandum of association
(x) A payment is made at the point of sale	N. Spot cash

Answers

LIST A	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
LIST B	K	Q	D	E	R	G	B	S	A	N

SECTION B

3. Write short notes on the following:

- (a) **Geographical/national specialization:** The focus of a country or region on producing specific goods or services where it has a comparative advantage, e.g., Tanzania specializing in coffee production due to favorable climate and soil.
- (b) **Balance of trade:** The difference between a country's exports and imports of goods over a period. A surplus occurs if exports exceed imports, and a deficit occurs if imports exceed exports, e.g., Tanzania's trade balance with its agricultural exports.
- (c) **Bills of exchange:** A written order by one party (drawer) to another (drawee) to pay a specified sum to a third party (payee) on a future date, used in trade to facilitate credit transactions, e.g., an exporter issuing a bill to an importer.
- (d) **Canons of taxation:** Principles for a fair tax system, including: equity (tax based on ability to pay), certainty (clear tax rules), convenience (easy to pay), and economy (low collection costs), as outlined by Adam Smith.

4. Given the following:

Sales 6,000/=; opening stock 1,500/=; purchases 2,600/=; carriage inwards 55/=; returns inwards 400/=; closing stock 1,000/=; purchases 400/=.

(Note: The second "purchases 400/=" seems to be a typo and is likely meant as "returns outwards 400/=" based on standard commerce questions.)

Calculate:

(a) Mark up

First, calculate Net Sales:

$$\text{Net Sales} = \text{Sales} - \text{Returns inwards} = 6,000 - 400 = 5,600 \text{ Tshs.}$$

Cost of Goods Sold (COGS):

$$\text{Net Purchases} = \text{Purchases} - \text{Returns outwards} = 2,600 - 400 = 2,200 \text{ Tshs.}$$

$$\begin{aligned} \text{COGS} &= \text{Opening stock} + \text{Net Purchases} + \text{Carriage inwards} - \text{Closing stock} \\ &= 1,500 + 2,200 + 55 - 1,000 = 2,755 \text{ Tshs.} \end{aligned}$$

$$\text{Gross Profit} = \text{Net Sales} - \text{COGS} = 5,600 - 2,755 = 2,845 \text{ Tshs.}$$

$$\text{Mark up} = (\text{Gross Profit} / \text{COGS}) \times 100 = (2,845 / 2,755) \times 100 \approx 103.27\%.$$

Answer: 103.27%

(b) Margin

$$\text{Margin} = (\text{Gross Profit} / \text{Net Sales}) \times 100 = (2,845 / 5,600) \times 100 \approx 50.80\%.$$

Answer: 50.80%

(c) Rate of stock turnover

$$\text{Average Stock} = (\text{Opening stock} + \text{Closing stock}) / 2 = (1,500 + 1,000) / 2 = 1,250 \text{ Tshs.}$$

$$\text{Rate of Stock Turnover} = \text{COGS} / \text{Average Stock} = 2,755 / 1,250 \approx 2.20 \text{ times.}$$

Answer: 2.20 times

5. (a) Mention three (3) differences between a public company and a private company.

(i) **Ownership:** A public company can have unlimited shareholders and sell shares to the public, while a private company has a maximum of 50 shareholders and cannot sell shares publicly.

(ii) **Disclosure:** Public companies must publish annual financial reports for transparency, while private companies have fewer disclosure requirements.

(iii) **Transfer of shares:** Shares in a public company are freely transferable, while shares in a private company require approval from other shareholders.

(b) Explain two (2) factors that influence the size of a business unit.

(i) **Capital availability:** Businesses with access to large capital can expand operations, invest in technology, and grow larger, e.g., a company securing a loan to open new branches.

(ii) **Market demand:** High demand for a product allows a business to scale up production and distribution, e.g., a maize mill growing in size due to increased demand in rural Tanzania.

6. (a) Mention and define four (4) elements of transport.

(i) **Unit of carriage:** The vehicle or means used to transport goods/passengers, e.g., trucks, ships, or trains.

(ii) **Way:** The route or path used for transport, e.g., roads, railways, or waterways.

(iii) **Terminal:** The point where transport begins or ends, e.g., ports, airports, or bus stations.

(iv) **Motive power:** The energy source that drives the unit of carriage, e.g., fuel for vehicles or electricity for trains.

(b) Explain the importance of transport to business.

(i) **Access to markets:** Transport enables businesses to deliver goods to distant markets, expanding their customer base, e.g., transporting fish from Lake Victoria to Dar es Salaam.

(ii) **Supply chain efficiency:** It ensures raw materials and finished goods move smoothly, reducing delays, e.g., transporting cotton to textile factories.

(iii) **Cost reduction:** Efficient transport lowers distribution costs, making goods cheaper for consumers, e.g., bulk transport of maize reducing per-unit costs.

(iv) **Economic growth:** Transport creates jobs (e.g., drivers, logistics staff) and supports trade, boosting the economy, as seen with Tanzania's road networks.

(v) **Customer satisfaction:** Timely delivery through reliable transport enhances customer satisfaction, e.g., delivering fresh produce to retailers on time.

7. (a) Explain five benefits that a businessman would get by using face-to-face communication

Face-to-face communication allows a businessman to get immediate feedback from the person they are communicating with. This means any doubts, questions, or misunderstandings can be addressed instantly, making the conversation clearer and more productive.

It helps in building trust and strong relationships between the businessman and clients, suppliers, or employees. Seeing someone's facial expressions and gestures makes the interaction feel more personal, which strengthens business connections.

This type of communication allows for effective negotiation. Through direct conversation, a businessman can easily persuade or influence the other party by using tone, facial expressions, and body language to emphasize key points.

Another benefit is confidentiality. Sensitive business matters discussed face-to-face are less likely to be leaked to competitors or the public since no written record is left behind unless intended.

Lastly, it is easier to solve conflicts during face-to-face communication. Misunderstandings can be cleared immediately, and both parties can express their concerns openly, reducing the risk of prolonged disputes.

(b) Explain five barriers to effective communication in business

Language difference is one of the biggest barriers to effective business communication. If the sender and receiver do not share a common language or if one party uses technical terms that the other does not understand, it can result in confusion and wrong interpretation.

Another barrier is poor listening skills. When a receiver does not pay full attention or interrupts the sender frequently, important parts of the message may be missed, leading to misunderstandings and mistakes.

Physical distance and poor communication infrastructure can also be a hindrance. If reliable phones, internet services, or transport systems are unavailable, it becomes difficult for businesses in remote areas to communicate effectively with their partners or customers.

Noise and other distractions in the communication environment reduce the clarity of the message. In a noisy factory, market, or busy office, important details may be missed, or messages may need to be repeated, which slows down business operations.

Cultural differences can affect the way people interpret messages. What may be acceptable in one culture might be considered rude or confusing in another. Without cultural awareness, business communication can easily result in conflict or misunderstanding.

8. Explain why trading with overseas countries is more difficult than trading within a country

One difficulty in overseas trading is the existence of long distances. Importing or exporting goods to faraway countries involves expensive and lengthy transportation, which delays delivery times and increases the cost of business.

Differences in currencies also complicate international trade. Business people have to deal with fluctuating exchange rates, which can suddenly make a product more expensive or less profitable by the time a transaction is completed.

Another challenge is trade barriers like import duties, tariffs, and quotas. These are policies imposed by governments to protect local industries, which raise the prices of imported goods and limit the quantity of products that can enter a country.

Language barriers and cultural differences can lead to misunderstandings in product specifications, contracts, and negotiations. Traders need to be extra careful to avoid costly mistakes or offending their overseas business partners.

Complicated legal requirements and business regulations in different countries slow down trade processes. A business person must follow customs regulations, product standards, and safety checks that differ from one country to another, making international trading more difficult than local trade.

9. (a) Explain five factors that determine elasticity of supply

The nature of the commodity affects the elasticity of supply. Perishable goods like fruits and milk have inelastic supply because they cannot be stored for long, while durable goods like cars have more elastic supply as they can be produced and stored for future sale.

Availability of production resources also influences elasticity. If factors like raw materials, labor, and capital are easily available, producers can quickly increase supply when prices rise, making the supply elastic.

Time is another important factor. In the short run, producers may not be able to adjust supply due to limitations in equipment or resources, making supply inelastic. Over the long run, they can expand factories or acquire more labor, increasing elasticity.

The level of technology affects how easily production can be increased. Advanced technology enables producers to quickly boost output when market prices rise, increasing the elasticity of supply.

Government policies such as taxes, licenses, and regulations can limit how easily a business can adjust supply. High taxes or strict production laws make it difficult for businesses to respond to price changes, reducing the elasticity of supply.

(b) Discuss the effects on the demand for bicycles due to:

An increase in incomes generally reduces the demand for bicycles, especially if consumers now prefer motorbikes or cars as their earnings improve. Bicycles are often seen as a lower-cost option for people with limited income, so demand might fall as purchasing power rises.

A rise in the price of petrol makes using motor vehicles more expensive, which can lead to an increase in the demand for bicycles. People may choose bicycles as a cheaper, fuel-free alternative for commuting short distances.

An improvement in the technology of bicycle production lowers production costs and improves the quality of bicycles. This can make bicycles more attractive to consumers and increase demand as they become more durable, affordable, and stylish.

10. Account for the presence of many small-scale retailers than large-scale retailers in Tanzania

Limited capital is one major reason for the high number of small-scale retailers. Many Tanzanians cannot afford to start large businesses with high stock levels, big premises, and many employees, so they settle for smaller, manageable businesses.

Small-scale retailing is easy to start. Most of these businesses require little formal training, minimal paperwork, and small premises like market stalls or kiosks, making it convenient for many people to engage in.

The widespread informal economy in Tanzania also contributes to this. Many people prefer small, informal businesses since they are not heavily taxed or regulated, which makes small-scale retailing more popular than large stores.

Large-scale retail businesses require access to advanced infrastructure like good roads, electricity, and storage facilities. In rural areas and small towns where such services are poor or unavailable, small-scale retailers thrive while large businesses struggle to operate.

Cultural and social preferences also support small-scale retailing. In many Tanzanian communities, people prefer buying from local shopkeepers they know and trust. Small shops are often located within neighborhoods, making them more accessible than distant supermarkets.